

From Local to Global and Back: Rural Maine's Economic Future

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Last month, people of the Katahdin region gathered for an economic summit at their new higher education center in East Millinocket. Their goal was to plan the economic future of their community in the wake of two decades of contracting opportunities.

I was invited to talk about the economic state of rural Maine and its prospects for the future. I began, as economists must, with people and places.

Maine is an independent state. Geographically, it's distant from the rest of the country. Our work ethic and natural surroundings distinguish us as well. It's tempting to think that our challenges are also unique. In reality, the decline of manufacturing, youth migration, and an aging workforce confront other states too. Maine is part of a structural economic evolution reshaping every rural state.

Rural America's story begins with agriculture and manufacturing. Farming once relied on large amounts of manual labor, which drew people to rural areas. From 1860 to 1910, Aroostook was Maine's fastest growing county.

Then new technologies and the opening of farmland in the mid-west allowed Americans to produce more food using fewer people. Food became cheaper, permitting consumers to spend more on items like clothes, furniture, and cars. People who could no longer find work on the farm took to mills and factories.

Many manufacturers located in rural areas where they drew from the abundance of semi-skilled workers, inexpensive land, and waterpower. So, in addition to big manufacturing centers like Lewiston-Auburn and Biddeford-Saco, smaller operations arose in Dexter, Skowhegan, Guilford, and Wilton.

Then things changed again. New technology and investments allowed us to manufacture more goods with fewer people. Transportation and communication improvements expanded trade with places with large pools of low-skilled labor. These changes made goods less expensive. Now consumers had cheap food and cheap goods, leading to spending on things like haircuts, chiropractors, and braces for kids' teeth – "services." Today, many people who might have worked in manufacturing years ago find service jobs.

This is where rural and urban places began to diverge. Agriculture and manufacturing can thrive in rural areas because producers and consumers can be far apart. Potatoes can be grown in northern Maine and served in a restaurant in southern Maine. Lobsters can be caught in Washington County and eaten fresh in Miami. Paper can be made in Millinocket and used around the world.

Most services are different: with a few exceptions, the service provider and user must be in the same place. With greater consumer spending on services, economic growth occurred where a critical mass of people created enough demand to make services profitable.

This happened in Maine. Today, Aroostook is Maine's fastest shrinking county and 51% of Maine employees are in the labor market areas surrounding Bangor, Lewiston-Auburn, and Portland (up from 47% in 1990). Increasingly, new economic activity in Maine is concentrated in urban settings.

Rural states such as Maine must respond to this challenge on their own. As Richard Barringer – a professor at the University of Southern Maine's Muskie School of Public Service – has pointed out, the federal government doesn't have a coherent rural development policy.

Federal policy once was land grants, price controls, and farm subsidies. Today there is no national strategy to support rural areas. This contrasts with the clear endorsement of free trade, which has created economic opportunities for some but hurt many rural, technically-trained workers.

Still, many rural businesses are thriving in the new economy. Understanding how they have succeeded in Maine is key to fostering even more success stories.

Some flourishing companies are developing new products through a unique idea, resource, or skill – companies like Hinckley Yachts building jet-powered lobster boats, and Cherry Point Products dehydrating sea cucumbers and shipping them to Japan.

Businesses capitalizing on a unique resource include Hancock Lumber selling sustainably-harvested lumber, and Maine fishermen harvesting lobster, scallops, and bloodworms.

Others are capitalizing on a unique skill. A Denver-based company has leased the former Bass factory to make specialized shoes for diabetics. They chose Wilton, Maine over sites in South Carolina, New Jersey, and Massachusetts due largely to the presence of former Bass employees.

Rural businesses can also succeed by providing a service that can be used long-distance. This is the call-center model – working in one place with customers in another – and the merchant mariner model – living in one place, working in another. This requires a workforce that can compete nationally and globally. Services that can be provided long-distance are open to competition from around the world – just ask anyone whose customer service call has been answered by someone in India.

Rural businesses can succeed by providing a service or good that people are willing to travel to, like attractions for tourists and retirees. Maine's long history with tourism is a testament to this market's potential.

The common thread here is skilled people. We need people who can identify unique ideas, resources, and skills; people who can provide services that are unsurpassed globally; and people who know what services tourists and retirees want, how to provide them, and how to market them.

More and more, the opportunities in rural areas will be those created by local residents themselves. Maine has unique assets to draw from and famously hard working people; translating those into increased economic opportunities is up to us.

At their economic summit, Katahdin area residents committed to building upon the enduring assets of their region. Forests and waterpower have supported paper mills for decades. Now they must support a more diverse array of businesses. The people of Katahdin have taken a first step toward that transition. The future of rural Maine lies in taking similar steps toward change.